

Ministry of Finance  
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## Proposed changes to the Management Mandate for the Government Pension Fund Global

Section 1-4 (3) of the Management Mandate for the Government Pension Fund Global gives the Bank the right to express its opinion before significant changes are made to the mandate, and to be given reasonable notice of the implementation of such changes. In its letter of 9 June 2017, the Ministry announced its intention to amend various parts of the mandate as a result of the planned increase in the equity share in the fund's benchmark index from 62.5 to 70 percent. The Ministry aims to introduce the changes with effect from 30 June 2017.

The split between equities and bonds in the strategic benchmark index is specified in section 1-5 (2) of the mandate. The Ministry does not intend to amend this provision at this time. The Bank believes that it would have been appropriate to state clearly in section 1-5 (2) even now that it has been decided to increase the equity share in the fund's benchmark index to 70 percent. We would also point out that the proposed additional section 1-5 (3) provides for a gradual increase to 70 percent in the strategic benchmark index without any other reference. This provision is already covered by the general authority in the revised section 8-1 of the mandate, which states that the Ministry may issue transitional provisions in the event of changes to the mandate.

The Bank notes that the Ministry sees a need to adjust the wording of section 8-1 and specify that the Ministry may issue transitional provisions in the event of changes to the mandate. We have no comments on this proposal, but would point out that the Ministry's authority to issue rules and supplementary provisions on the management of the fund is already established in sections 2 (2) and 7 of the Government Pension Fund Act.

The Ministry also proposes an adjustment of the provision on rebalancing. The change means that an increase in prices in the equity market will not trigger rebalancing until the equity share in the actual benchmark index exceeds 74 percent. As is currently the case, the Ministry will issue more detailed provisions on how such rebalancing is to be performed. The Bank appreciates the need for an adjustment of the rules on rebalancing following a rise in prices. However, we would point out that the Ministry's proposal does not necessarily ensure



that the adjustment of the actual benchmark index is made gradually over a period of time.

The Bank has no further comments on the proposed changes to the mandate and will adjust its management of the fund with a view to the changes entering into force from 30 June 2017.

Yours faithfully

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