



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

PRESS RELEASE

RELEASE OF DRAFT 2 OF REGULATION 28 APPLYING TO PENSION FUNDS

National Treasury today publishes the second draft of Regulation 28 of section 36 of the Pensions Fund Act (no 24 of 1956) for further and final public comment, as indicated in the Medium Term Budget Policy Statement on 27 October 2010.

National Treasury released the first draft of the regulation with the 2010 Budget in February this year. The first draft attempted to remedy shortcomings identified in the existing Regulation 28. Thirty-one public submissions were received that, together with considerable coordinated engagement between the National Treasury, Financial Services Board and industry stakeholders, have informed the revised second draft of Regulation 28.

The second draft still aims to ensure that the retirement savings of South Africans are invested in a prudent manner that protects the pension fund member and, in addition, promotes economic development and growth. The latest draft also acknowledges the role played by alternative investments, including private equity and hedge funds, in diversifying risk and enhancing investment returns.

It must be emphasised that the ultimate responsibility for protecting the interests and investments of pension fund members vests squarely with the trustees of pension funds. Trustees often hire investment advisors, to whom they give an investment mandate. However, trustees remain responsible for the investment decisions, even when they have delegated these. Regulation 28 provides a second protective measure to ensure that there is some diversification in the investment profile of pension funds and setting overall limits to the types of investment that may be made by pension funds.

The second draft of Regulation 28 is published together with a document responding to stakeholder comments received on the February draft; an explanatory memorandum that explains the technical details and main amendments; as well as draft Notices on securities lending transactions, investment and disclosure of derivative instruments for pension funds, and credit ratings agencies, issued by the Registrar of Pension Funds in terms of Regulation 28. All of these documents are available on the National Treasury and Financial Services Board websites - www.treasury.gov.za and www.fsb.co.za. Given the extensive engagement since the February draft, comments of a technical nature are invited, though submissions relating to broader principles will be considered where they raise new issues.

Comments should be submitted by **28 January 2011** to:

The Chief Director of Financial Services, c/o Linda van Zyl, Private Bag X115, Pretoria, 0001; or per facsimile to (012) 315 5206; or per email to reg28@treasury.gov.za.

To further support stakeholder understanding of the intention and principles underpinning the revised draft Regulation 28, the National Treasury and the FSB will host public forums in Cape Town and Pretoria during December 2010. This is to ensure that feedback given to the National Treasury is relevant and mindful of what the regulation is trying to achieve.

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