NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 2784 [NW3052E]
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2784. Adv A de W Alberts (FF Plus) to ask the Minister of Finance:†

Whether he is considering any plans whereby private and public pension funds will be compelled to invest more money in development projects; if not, whether any consideration will be given to this in the future; if so, what are the relevant details?

NW3052E

REPLY:

No, I am not considering any plans whereby we compel private or public pension funds how to invest. The key point to note is that it is the trustees of a pension fund who have to determine the investment strategy for a pension fund, taking into account its assets and liabilities, and the need for long-term growth. All that government does is to provide a broad framework to protect members of retirement funds, by reducing risks to their funds, like concentration risks when investing (refer to maximum investment limits in Regulation 28 of the Pension Funds Act (1956)), poor governance practices or high and opaque charges.

Since 2011 when Regulation 28 was revised, trustees of retirement funds now have to consider Environmental, Social and Governance (ESG) principles before determining their investment policies and strategies. The principle is meant to encourage retirement funds to actively consider investments that might be of a developmental or infrastructural nature, without compromising returns in the long-term. Indeed, in the aggregate, retirement funds already have significant exposure to Government and State Owned Companies' bonds, which, by their nature are developmental. In 2014, for example, 32 percent of Government issued bonds, excluding state owned company bonds, were held by local retirement funds (Budget Review 2015). Furthermore, according to the South African Reserve Bank's Quarterly Bulletin March 2015, about 37.1 percent of total retirement fund assets are invested in public sector bonds (Government, state companies, and local government).

The nature of retirement funds means that they should invest for the long term. This implies that they do not necessarily have to be compelled to realise this long term objective to provide decent retirement savings for their members. Further, retirement funds, through their trustees, are in the best position to assess the retirement needs of their members and to decide how best to achieve this through various investment and asset-liability matching approaches. The National Treasury is also engaging with various stakeholders to unlock any funding bottlenecks for infrastructure projects and enable an environment which will facilitate more investment in public infrastructure.