

Sir/Madam,

Herewith, please find my comments on the Retirement Fund Reform Discussion Paper.

## **Annexure 2: Access, Compulsion and Preservation**

### Section 2 – National Savings Fund

1. Consideration needs to be given to allowing more than 1 underlying portfolio, as individuals may want to explore different investment opportunities.
2. Also, would the assets be managed by the PIC or outside parties?
3. On the issue of administration costs, would administration be put out to tender every few years (say 7) or will the pricing be regulated?
4. Comment 21 under Section 2.5.1.2. (b) defines competitive returns to “at least correspond to the returns available on government bonds less expenses.” To keep the consistency with one of the broad objectives of retirement policy (Page 4), where the purchasing power of pensions should be protected against the effects of inflation, should this not read the returns available on government CPI-linked bonds less expenses? There are periods when government bonds underperform inflation.
5. Section 2.5.1.2. (e) – regarding the availability of the NSF to the affluent. It is important for the affluent to invest in the NSF to get economies of scale. The “tax breaks” given should be the incentive for the affluent to invest in the NSF.
6. Sections 2.5.1.2. (f) to (h) – Option (f) is probably the easiest option to regulate and can easily be accounted for in the individual’s tax returns. Option (g) sounds like the NSF is replacing Retirement Annuities as the tax incentive is taken away from RA’s to the NSF. Option (h) does not take cognizance of Capital Gains Tax, especially if the NSF is not entirely invested in government bonds.

### Section 4 – Individual Retirement Funds

1. Would ancillary benefits be allowed under Individual Retirement Funds?
2. If intermediaries are not incentivised to recommend the Individual Retirement Fund, I doubt whether this will be a successful venture or not. People with middle and higher incomes would most probably have a financial advisor, who would probably not recommend this alternative if he/she was not incentivised to do so.

## **Annexure 3: Benefits, Contribution Rates and Member Protection**

### Section 3.7. – Form of Benefit Payment

1. Section 3.7.3.1. – If members of provident funds are expected to take an income with their retirement benefit, then it seems as though the benefit distinction between a Pension Fund and a Provident Fund will be diminished. Then, the Pension Fund route is probably the better alternative from the two.

### Section 3.9. – Preservation and Portability

1. If a member is not allowed to “cash-in” their retirement savings, then I suspect that the level of entrepreneurship in the market will decline. I suspect that some workers use their retirement benefits as a cash injection into a new business venture. *As an example, I cashed-in my Provident Fund to start a new venture, the company I represent currently, and preserved my Pension Fund benefits.*

## **Annexure 4: Governance and Regulation**

### Section 7 – Investment Regulation

1. I do strongly recommend that the Investment Policy Statement (or Statement of Investment Principles) be lodged with the regulator, the same way that the Fund rules have to be lodged. Therefore, the regulator has all available information regarding the investments and the benefit rules of the particular Fund.
2. Section 7.5.5. – As the Fund’s valuator is an actuary, Treasury needs to ensure that the Actuarial Society of South Africa has adequate Guidance Notes for its members with regards to the investment of a Fund’s assets.
3. Section 7.6.1. – I am not sure what this will achieve. It is not a one-size-fits-all industry as each Fund has its own unique characteristics and will be invested accordingly.

4. Section 7.6.2. – Same as point 2 above. A definition of appropriately qualified person is needed. It has to be someone registered in terms of FAIS. What about inflation and which inflation statistic to use - CPI or CPIX?

I hope these comments are given consideration in the reform of legislation governing Retirement Funds in South Africa. If you would like to contact me on any of the points made above, my contact details are given below.

Yours faithfully

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