Delay In Government Getting Their Hands In The Pension Fund Pot

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South African pension fund regulations could be changed, to introduce investing into government infrastructure projects, and government backed assets but seems not everyone is on the same page.

After the supplementary budget announcement in June 2020 Minister Tito Mboweni turned to his aides and made a very unsettling statement, *"There's something that disappeared from the speech… what happened to Regulation 28".*

In response to Finance Minister Mboweni, the director General at National Treasury Dondo Mogajane before abruptly changing the topic advised, *"We decided we would ease it in properly".*

Regulation 28 is a regulation that is tied to the Pension Fund Act. Regulation 28 limits the extent to which retirement funds may invest in certain asset classes. The main purpose of the regulation is to ensure that individuals do not overexpose their retirement savings to risky asset classes, to try protect and promote capital preservation.

Treasury are looking at making changes to Regulation 28 by introducing prescribed assets which would force retirement funds to allocate a portion to government backed assets or invest directly in government infrastructure projects.

This has been a controversial topic as the thought of allocating hard earned pension savings to state owned entities such as SAA and Eskom is a massive concern. The sudden overnight change to remove Regulation 28 from the speech may have been driven by Treasury's concern on a raid on the pension fund pot.

Enoch Godongwana, head of economic transformation committee, let the cat out the bag during a virtual media briefing held on the 10th of July. There was an announcement that the ruling party has been in discussion with some of the country's top pension funds on possible proposed changes.

Some positive points addressed by minister Godongwana in a virtual media briefing:

- *"We are trying to find a solution to that problem,"* he says, adding that there are still many points of view around Regulation 28 on the table. *"Nothing has been firmed up yet and we are still open for discussion"*.
- The ANC have confirmed that they are relooking at changing the rules of Regulation 28 and did not directly advise proposing that the state implements a policy of prescribed assets. *"If properly packaged there is no reason why pension funds should not invest in infrastructure directly instead of using third-parties in the form of asset managers"*.

Should you be over the age of 55 you are able to retire from your pension savings and transfer to a living annuity where you can draw a retirement income. The benefit of being in a living annuity structure is that it is not governed by Regulation 28, so you are not forced to invest in prescribed assets.

The rumours were apparent that the topic of Regulation 28 simply went missing from the speech draft overnight. It might not have featured in the June 2020 supplementary budget, but this is most definitely an issue that will resurface and will be addressed again in the near future.