

Regulation 28

🕒 What is Regulation 28?

Regulation 28 is issued under the Pension Fund Act. It limits the extent to which retirement funds may invest in particular assets or in particular asset classes.

The main purpose is to protect the members' retirement provision from the effects of poorly diversified investment portfolios. This is done by limiting the maximum exposure to more risky asset classes, making sure that no unnecessary risks are taken with retirement money. This helps to ensure that members' retirement provision provide them with sufficient income in their golden years.

🕒 What has changed?

Retirement funds using life insurance plan as their only assets were previously exempted from Regulation 28, but this has changed with the new Regulation 28 gazetted in 2011.

The new Regulation 28 stipulates that the retirement fund as a whole has to comply, and that retirement fund products (i.e. individual retirement annuity plan, preservation fund plan and provident fund plan) should be compliant as well. Therefore, life insurers and collective investment (unit trust) companies must ensure that individual investments in any retirement fund product conform to the Regulation 28 limits. In broad outlines these limits are as follows:

Asset type	Maximum exposure
Equities (excluding listed property)	75%
Offshore assets	30%*
Listed property	25%
Commodities	10%
Hedge funds	10%
Bank debt	75%
Government debt	100%
Cash	100%

*As prescribed by the SA Reserve Bank from time to time

Investment portfolios, and the percentage of the contribution allocated to the respective selected investment funds, should be chosen in such a way that the total retirement fund plan stays within these limits.

To abide by these limits, Sanlam must specifically consider the equity, offshore assets, listed property and hedge funds asset classes. The investment mandate of investment funds is such that the other limits would not be exceeded. For each investment fund the maximum exposure to each asset class, is specified according to its investment mandate.



⌚ How does this affect my retirement plans?

If you have an existing retirement fund plan that was issued before 1 April 2011, then you are not affected by the new asset limits as long as you make no changes to the plan. If, however, you make one of the following changes, your plan must be compliant at all times thereafter:

- Ad hoc recurring contribution increases, excluding the increases due to existing contractual contribution growth
- Ad hoc one-off contribution additions
- Addition of contractual contribution growth
- Switches between investment funds
- Redirections of future contributions
- Contribution frequency changes
- Reinstatement of retirement annuity plans that have been paid-up for more than a year
- Conversion or continuation of older generation plans:

If you take out a new retirement fund plan it must comply with the new asset limits. The test for compliance will be done on quotation date. The plan must also be compliant at all times thereafter.

⌚ How do I comply?

If Sanlam informs you that your retirement plan needs to comply with the new asset limits or if you need more information, please contact your financial advisor to assist you.