

What is Regulation 28?

Regulation 28 gives effect to Section 36(1) (bB) of the Pension Fund Act, which limits the extent to which retirement funds (like retirement annuities) may be invested in particular kinds or categories of assets. The main purpose of Regulation 28 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 aggressive asset classes when investment fund selections are done. It plays a vital role in trying to ensure that members' retirement savings provide them with sufficient income in their retirement.

The most important Regulation 28 asset class limits are as follows:

- Equity 75%
- Listed Property 25%
- Offshore Assets 30%*
- Hedge funds 10%

**As prescribed by the South African Reserve Bank.*

For each investment fund the maximum possible exposure to a restricted asset class is provided according to its investment mandate. The percentage of the existing investment and future contributions allocated to the selected investment funds must be such that the total retirement fund plan stays within these limits.

All new retirement fund plans issued on or after 1 April 2011 have to meet these asset limits. The test for Regulation 28 compliance is done at inception of a plan, and once issued, these plans must also be compliant at all times thereafter.

All retirement fund plans issued before 1 April 2011, and on which certain changes are effected thereafter, have to meet these asset limits from the date the change is made and must be compliant at all times thereafter. These changes include:

- increasing the recurring contribution on an ad hoc basis
- adding single contributions
- adding of contractual annual contribution increase
- switching between investment funds
- changing the allocation of future contributions between investment funds
- changing the payment frequency of the contributions

Speak to your Sanlam Financial Adviser or accredited broker for advice and assistance to determine the most appropriate investment strategy and portfolio for your retirement savings and your planned post-retirement income strategy.