Regulation 28

Explained

Focused Investing

STANLIB

What is Regulation 28?

Section 36(1)(bB) of the Pension Funds Act, 1956 empowers the Minister of Finance to make regulations limiting the amount and the extent to which a retirement fund may invest in particular assets, e.g. equities. Regulation 28 specifically addresses these limitations.

In 2011, new asset classes were introduced and defined, previous asset classes were better redefined and some asset class limits were changed.

Perhaps the most important addition to Regulation 28 was the requirement for individual member compliance to the different asset class limits. In other words retirement funds now need to comply with Regulation 28 on a total fund basis but also on an individual member level where the fund provides individual member choice.

What Are The New Investment Limits?

A brochure detailing the new investment limits is available on our website. Please go to www.stanlib.com, News at STANLIB, Regulation 28 Communications and Calculator or insert http://www.stanlib.com/newsatstanlib/Pages/Regulation28.aspx in your browser. Alternatively contact our call centre on 0860 123 003.

When Did The New Investment Limits Come Into Effect?

The revised Regulation 28 limits came into effect on 1 July 2011. However, the Registrar of Pension Funds determined a transitional period for full compliance to Regulation 28 on a total retirement fund level as well as individual member level. Full compliance to Regulation 28 was required by 31 December 2011.

Who Is Affected By The New Investment Limits?

All retirement funds regulated by the Registrar of Pension Funds and all retirement fund members are affected by the new investment limits. However, some retirement fund members are exempt from the new limits under certain conditions. Individual member compliance is not required where a member made an investment (in other words entered into a contract) prior to 1 April 2011 in a Retirement Annuity, Preservation Pension or Preservation Provident Fund. However, if these members wish to make any material changes to their investments, they will be required to comply with the new limits. Material changes include:

- Increasing or decreasing the existing debit order amount (this excludes an increase linked to inflation that was entered into prior to 1 April 2011)
- Changing the existing debit order frequency i.e. from a quarterly debit order to a monthly debit order
- Making an additional (ad-hoc) contribution
- Switching of underlying funds (unit trusts) which will cause an increase or decrease in the exposure to any of the asset classes defined in Regulation 28 e.g. properties
- Withdrawing from the retirement fund which will cause an increase or decrease in the exposure to any of the asset classes defined in Regulation 28 e.g. equities

What Happens If My Investment Is Not Compliant With The New Restrictions?

STANLIB will analyse your investment portfolio quarterly to determine the level of compliance to Regulation 28. If your investment is not compliant, STANLIB will inform you in writing and give you time to rebalance your portfolio. If by the given deadline we have not received a switch instruction from you, your portfolio will be automatically rebalanced. As per the decision of the Trustees of the Classic Retirement Funds, the non-compliant portion of your investment will be switched into the Standard Bank Institutional Money Market Fund B13. This switch will be done proportionately from the non-compliant funds in your portfolio. STANLIB will send you a statement to confirm the transaction.

Please consult your financial adviser to fully understand the implications of Regulation 28 on your investment.

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