

# Should you PANIC about prescribed assets?



## Background



On **22 August 2019**, **President Cyril Ramaphosa** called for a national dialogue about the introduction of prescribed investments for retirement funds. This means that the state could make institutions such as pension funds and insurance companies to invest a part of their funds in state institutions or bonds.

This announcement was made to the national assembly and has since become a major topic of interest for South Africans. Announcements such as these can create **concern** among fund members and **uncertainty** in the markets. Fund members and investors alike would like to know if the proposal will be adopted, and what it would mean for their savings.

## What is being proposed



Prescribed assets would compel South African asset managers and pension funds to invest a portion of their assets in prescribed investments. The move is likely aimed at easing financial pressure on SOEs such as **Eskom** and **SAA**.

You may not have known that retirement funds **do already invest** in state-owned enterprises, as long as the investments are in line with their portfolios' return expectations and their members' risk profiles. In other words, they can choose to invest in these state institutions only if they are **sustainable, suitable, and in the members' best interests**.

## The road ahead

Once parliament approves legislation, it is referred to the President before it becomes law. **No such process** on prescribed investment has started to date.

Retirement funds and industry roles players will have the opportunity to provide **input and comment** on prescribed investments in the coming months.

Understandably, the retirement fund industry is subject to regular reviews and debates surrounding investment regulations. It is very important to remember that **nothing has been decided yet** and that your Fund will take all possible measures to **protect its members** and assets. An election manifesto to investigate an issue does not have the same force as legislation: simply put, the statement of intent in an election manifesto to investigate this matter should not cause unnecessary alarm.

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